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Alan Avans has an interesting post up at Ecodema, provocatively entitled "The Social Economy and Social Credit: Two Wings of One Bird?"

The post was inspired by a recent commenter's question:

> Why do the greater part of cooperatives behave in much the same way as other firms in terms of management and in terms of the links they develop, or don't develop, in their communities?

The answer, according to Avans:

> I've concluded that the essense of the challenge activists for economic democracy face is that we can never negotiate a cooperative commonwealth based on orthodox economic terms.

> The prairie populists of Canada and USAmerica once had a unique opportunity for a breakthrough past the restraints of the orthodox economics of the early twentieth century.

So what went wrong? The takeover of a socialist movement, originally dominated by actual producers and interested in building alternative economic institutions, by Fabian social democrats.

> Social democratic Fabianism, which would be an early adopter of Keynesian policy prescriptions, came to dominate socialist thought and shape the limits of a socialist agenda. It also displaced guild socialism and its historic project of building a decentralized and non-statist social economy. Fabianism more-or-less adopted the conventional wisdom of orthodox economics.
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> Populists and socialists in USAmerica and Canada squandered their opportunity to build the cooperative commonwealth in North America when the larger part of the movement gave way to a Fabian form of social democracy.

The guild socialist G.D.H. Cole argued in an article I once stumbled across (in *Dissent*, I think, but I'm too lazy to dig it up) that Fabianism preferred to leave the institutional framework of the capitalist economy as it was, with the government merely redistributing part of the product. The reason, Cole suspected, was that changing the institutional framework to put workers in direct control of the production process wouldn't leave much of a role for Fabian intellectuals.

"Social democracy," on the other hand, has plenty of room for a caste of privileged managers and planners. As John Kenneth Galbraith used to describe it, "socialism" just meant reclassifying the men in gray flannel suits who ran the big corporations as employees of the state planning agency rather than the corporate stockholders–and then they'd go on doing pretty much the same thing they did before. And, naturally, workers would also go right on doing what they did before: taking orders from the men in gray flannel suits.

In practice, of course, even that never happened; the SD and Fabian intellectuals have been the dupes of the plutocracy. As corporate liberalism (aka "Progressivism") evolved in the U.S., the New Class was simply adopted as a junior partner by the capitalist class. As Hilaire Belloc predicted in *The Servile State*, the New Class has been allowed to pursue its agenda of regimenting the lower orders and socially engineering us "for our own good," only to the extent that it has served the plutocracy's need for rational planning to guarantee secure and predictable profits. Anyone who thinks nanny statists like Hillary, Rosie, Barbra and their ilk are "anti-capitalist" is delusional: Hillary made a 10,000% profit on cattle futures and was a Wal-Mart director, for cryin' out loud!

The problem that Avans points to is a real one. Economic counter-institutions, unfortunately, work within the framework of a larger corporate capitalist economy. They compete in markets in which the institutional culture of the dominant firms is top-down and hierarchical, and are in great danger of absorbing this institutional culture themselves. That's why you have a non-profit and cooperative sector whose management is indistinguishable from its capitalist counterparts: prestige salaries, middle management featherbedding, bureaucratic irrationality, and slavish adherence to the latest motivational/management theory dogma. The problem is exacerbated by a capitalist financial system, which extends positive reinforcement (in the form of credit) to firms following an orthodox organizational model (even when bottom-up organization is far more efficient). Paul Goodman described it this way, in *The Community of Scholars*:

> In brief, …the inevitability of centralism will be self-proving. A system destroys its competitors by pre-empting the means and channels, and then proves that it is the only conceivable mode of operating.

The solution is to promote as much consolidation as possible within the counter-economy. We need to get back to the job of “building the structure of the new society within the shell of the old.” A great deal of production and consumption already takes place within the social or gift economy, self-employment, barter, etc. The linkages need to be increased and strengthened between those involved in consumers’ and producers’ co-ops, self-employment, LETS systems, home gardening and other household production, informal barter, etc. What economic counter-institutions already exist need to start functioning as a cohesive counter-economy.

As Hernando de Soto has pointed out, the resources already available to us are enormous. If we could leverage and mobilize them suffiiciently, they might be made to function as a counterweight to the capitalist economy. For example: the average residential lot, if subjected to biointensive farming methods, could supply the majority of a family’s vegetable needs. And what’s more important, the total labor involved in doing this would be *less* than it takes to earn the money to buy equivalent produce from the supermarket. The average person could increase his independence of the wage-system, improve the quality of his food, and reduce his total work hours, all at once. This is an ideal theme for mutualist propaganda.

A key objective should be building the secondary institutions we need to make the resources we already have more usable. Most people engage in a great deal of informal production to meet their own needs, but lack either access or awareness of the institutional framework by which they might cooperate and exchange with others involved in similar activities. Expanding LETS systems and in-

labor except at an unprofitable price. At that point, the correlation of forces will have shifted until the capitalists and landlords are islands in a mutualist sea–and their land and factories will be the last thing to fall, just like the U.S Embassy in Saigon.

Addendum–Right after posting this, I happened on this excellent post by Dave Pollard. It included the following passage, which is a perfect restatement of what Paul Goodman said in the block quote above.

> What is the reason that so many bottom-up ideas and innovations never make it into the commercial marketplace? I’m not a believer in conspiracy theories that corporations deliberately buy up and suppress more durable inventions to keep them from cannibalizing their market. I think it’s more likely that people with good ideas are just disconnected from those with the skills and resources needed to implement those ideas. And vice versa — those with commercialization skills and resources are rewarded by the market (and by shareholders) for not fixing what ain’t broke, for not changing what they’re doing until and unless they have to.
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> So on the one hand we have an astonishing and unprecedented flood of good ideas, made possible by the democratization of knowledge (the Internet etc.), and on the other hand we have this incredible inertia by those who could make those ideas reality, change everything.

The capital and land of the rich is worthless to them without a supply of labor to produce surplus value. And even if they can find labor, their ability to extract surplus value from their labor force depends on a labor market that favors buyers over sellers. Anything that marginally increases the independence of labor and reduces its dependence on wages, and marginally reduces the supply of labor available to capitalists and landlords, will also marginally reduce the rate of profit and thus make their land and capital less profitable to them. The value of land and capital to landlords and capitalists depends on the ability to hire labor on their own terms. Anything that increases the marginal price of labor will reduce the marginal returns on capital and land.

What's more, even a partial shift in bargaining power from capital to labor will increase the share of their product that wage-workers receive even in capitalist industry. The individualist anarchists argue that a removal of special legal privileges for capital would increase the bargaining power of labor until the rate of profit was effectively zero, and capitalist enterprises took on the character (de facto) of workers' co-ops.

And the owning classes use less efficient forms of production precisely because the state gives them preferential access to large tracts of land and subsidizes the inefficiency costs of large-scale production. Those engaged in the alternative economy, on the other hand, will be making the most intensive and efficient use of the land and capital available to them. So the balance of forces between the alternative and capitalist economy will not be anywhere near as uneven as the distribution of property might indicate.

If everyone capable of benefiting from the alternative economy participates in it, and it makes full and efficient use of the resources already available to them, eventually we'll have a society where most of what the average person consumes is produced in a network of self-employed or worker-owned production, and the owning classes are left with large tracts of land and understaffed factories that are almost useless to them because it's so hard to hire

creasing public awareness of them is vital. Every need that can be met by producing for oneself, or exchanging one's own produce for that of a neighbor, increases the amount of one's total consumption needs that can be met without depending on employment at someone else's whim. If an organic gardener lives next door to a plumber and they exchange produce for plumbing work, neither one can provide an outlet for the other's entire output. But both, at least, will have a secure source of supply for both his vegetables and plumbing needs, and an equally secure market for the portion of his own output consumed by the other. The more different trades come into the system, the larger the proportion of total needs that can be met outside the framework of a job.

Ultimately, we need a cooperative alternative to the capitalists' banking system, to increase the cooperative economy's access to its own mutual credit. This is illegal, under the terms of capitalist banking law. The banking system is set up to prevent ordinary people from leveraging their own property for interest-free credit through mutual banking. Gary Elkin has argued that it might be possible to slip mutual banking in through the back door, by piggybacking it on a LETS system. Members of a LETS system might start out by extending store credit against the future labor of other members, and expand from there. Here's how Elkin described the functioning of such a system:

> Along these lines, I want to sketch an updated version of mutual banking, complete with e-money transfer capability via the Internet. As I see it, a mutual bank should grow from a collectively owned and operated barter association that is responsive to the participatory-democratic assembly of a radical urban community. Here's a possible scenario:
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> The new economic system — not yet self-sufficient but increasingly so — is born when the community barter association begins issuing an alternative currency ac-

cepted as money by all businesses within the system. For reasons discussed below, this "currency" does not at first take the form of tangible monetary tokens (i.e. coins or bills), but is circulated entirely through transactions involving the use of barter-cards, personal checks, and "e-money" transfers via modem/Internet.

Since it doesn't charge interest — the source of regular banks' profits — and since its purpose is to provide economic assistance to the community, it may be possible to charter this new financial institution as a nonprofit charitable organization. In order to get non-profit status, however, it is essential that mutual-credit organizations not be officially described as "banks" "thrifts," "savings and loans," "credit unions," etc., which would make them subject to the charter laws governing such institutions. For convenience I'll refer to an anarchist zero-interest credit-issuer as a "mutual barter clearinghouse" (or just "clearinghouse" for short). Other semantic expedients regarding the official description of its operations may also be necessary in dealing with the State.

The clearinghouse has a twofold mandate: first, to extend interest-free credit to members; second, to manage the circulation of credit-money within the system, charging only a small service fee (probably one percent or less) which covers its costs of operation. Such costs would include the making of plastic barter cards, printing personal checks, keeping track of transactions, paying its workers, insuring itself against losses from uncollectible debts, and so forth.

The clearinghouse is organized and functions as follows. Members of the original barter association are invited to become subscriber-members of the mutual bank by pledging a certain amount of property as "collateral" (referred to by some other term — perhaps "pledge" is good enough). On the basis of this pledge, an account is opened for the new member and credited with a sum of mutual dollars equivalent to some fraction of the assessed value of the property pledged. [2] The new member agrees to repay this amount plus the cost-covering service fee by a certain date. The mutual dollars in the new account may then be transferred through the clearinghouse by using a barter card, by writing a personal check, or by sending e-money via modem to the accounts of other members, who have agreed to receive mutual money in payment for all debts.

The opening of this sort of account is, of course, the same as taking out of a "loan" in the sense that a commercial bank "lends" by extending credit to a borrower in return for a signed note pledging a certain amount of property as security. It's like fractional-reserve banking in this respect. The crucial difference, however, is that the clearinghouse does not purport to be "lending" a sum of money that it *already has*, as is fraudulently claimed, with much hand-waving and doubletalk, by commercial banks. (Hence the creation of mutual credit does not have to be officially described as "making a loan.") Instead it honestly admits that it is creating new money in the form of credit, but charging no interest for doing so. New accounts can also be opened simply telling the clearinghouse that one wants an account and then arranging with other people who already have balances to transfer mutual money into one's new account. —